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**ANNUAL REPORT**

for the year ended December 31st, 1964

**GREAT CANADIAN OIL SANDS LIMITED**

**1964**



# GREAT CANADIAN OIL SANDS LIMITED

85 BLOOR STREET EAST  
TORONTO, ONTARIO

## *Directors*

A. E. BARRON  
W. H. DAVIS  
A. S. KINGSMILL  
J. H. MCWILLIAMS  
W. HAROLD REA  
J. G. SPRATT  
D. J. WILKINS

T. P. CLARKE  
D. W. FERGUSON  
R. LAW  
M. C. G. MEIGHEN  
J. S. ROE  
C. H. THAYER

## *Officers*

W. HAROLD REA	- - - - -	Chairman of the Board
C. H. THAYER	- - - - -	President
A. E. BARRON	- - - - -	Vice-President
T. P. CLARKE	- - - - -	Vice-President
W. H. DAVIS	- - - - -	Vice-President
D. J. WILKINS	- - - - -	Vice-President
A. S. KINGSMILL	- - - - -	Secretary
J. S. ROE	- - - - -	Treasurer
D. M. TREADGOLD	- - - - -	Assistant Secretary
M. B. PARMELEE	- - - - -	Assistant Treasurer

## *Auditors*

CLARKSON, GORDON & CO. - - - - - Toronto, Ontario

## *Transfer Agent and Registrar*

THE CANADA TRUST COMPANY - - - - - 33 Adelaide Street West, Toronto, Ontario  
10182 102nd Street, Edmonton, Alberta

## *Solicitors*

BLACKWELL, HILTON, TREADGOLD & SPRATT - - - - - Toronto, Ontario

The Annual and a Special General Meeting of Shareholders will be held in the Elizabeth Room, King Edward Sheraton Hotel, 37 King Street East, Toronto, Ontario, at 11:00 a.m. (Toronto Time) on Wednesday, April 28, 1965.



# GREAT CANADIAN OIL SANDS LIMITED

## REPORT OF THE DIRECTORS

### *To the Shareholders:*

Your directors submit to you the 1964 Annual Report of your Company.

Early in 1964, the Alberta Oil and Gas Conservation Board approved your Company's project for the production of 16,425,000 barrels per year of synthetic crude oil.

#### PROSPECTUS

A Prospectus covering a \$12,500,000 issue of 6% partially convertible Debentures, offered to bona fide residents of the Province of Alberta, was forwarded to shareholders on March 19th, 1965. This gives a comprehensive disclosure of the affairs of the Company up to date. If you have become a shareholder since that date, the Company will be pleased to forward to you on request, a copy of the Prospectus.

#### BITUMINOUS SANDS LEASE NO. 4

Your Company's project is based upon mining bituminous sands from Lease No. 4. Early in 1965, Sun Oil Company Limited and Abasand Oils Limited, as owners of the Lease, granted and sublet to your Company, subject to certain terms and conditions, the rights and privileges granted under the Lease. Your Company has undertaken to pay royalties, rentals, taxes, rates, assessments and other charges respecting its operations, the Lease and the lands covered thereby.

#### SALE OF PRODUCT

Early in 1965, your Company concluded arrangements whereby Sun Oil Company Limited will purchase 75% and Shell Canada Limited will purchase 25% of up to 16,425,000 barrels of desulphurized crude oil per twelve-month period produced by your Company.

#### DESIGN AND CONSTRUCTION

The design and construction of the facilities required for the Company's proposed project are under the direction of the Company's technical personnel headed by Clarence H. Thayer, the President of the Company and Senior Vice-President of Sun Oil Company.

#### CONTRACT WITH CANADIAN BECHTEL LIMITED

The Company has entered into a contract with Canadian Bechtel Limited under which Canadian Bechtel Limited is to perform engineering as required to describe and detail the facilities required for the Company's project and is to prepare design specifications describing the project in detail. Under the said contract Canadian Bechtel Limited is also to procure materials, machinery and equipment for the construction of the project and is to manage and be responsible for the complete construction of the said facilities and to furnish all requisite construction facilities, camp facilities and services, construction labour and supervision, construction equipment, tools and supplies. The contract includes provisions under which Canadian Bechtel Limited may subcontract portions of the work, such subcontracts to be subject to the Company's approval.

#### PROGRESS REPORT — CONSTRUCTION

Engineering, construction and procurement on the project are progressing well. The access road of about twenty miles from Fort McMurray to the plant site is completed, with the exception of the bridge across the Athabasca River at Fort McMurray. This 1,550 foot steel truss bridge is under construction with the concrete piers completed and the steel being erected. The bridge is expected to be open to traffic by July.

The final core holes for fully evaluating the lease will be completed during the next few months and will permit the making of the final plans for the mining scheme. Tentative plans already have been made, and two heavy-duty bucketwheel excavators, each capable, if required, of mining 100,000 tons per day of oil sands, have been ordered. The plant site has been graded and foundations installed for some of the equipment.

Final details for the Hot Water Separation Process are being developed in the Field Test Unit and are being incorporated into the commercial design for this portion of the operation. Process design for the balance of the plant is largely complete and production engineering has advanced to the point where orders have been placed for major vessels, heat exchangers, furnaces, boilers, pumps, compressors and the like.

Negotiations and surveys are under way for determining the precise route of the proposed 16" diameter pipeline, which will be capable of transporting the 45,000 barrels per day of synthetic crude oil to be produced by your Company and which will link the project with the Interprovincial Pipeline at Edmonton.



An indication of the work done in 1964 in developing your Company's project is that during the year your Company invested \$14,336,888 in plant facilities under construction and incurred additional expenses of \$3,563,805 for exploration, development, engineering and economic studies.

#### FINANCING

The total cost of the project is estimated by the Company's technical personnel, working in conjunction with Canadian Bechtel Limited, at \$210,000,000, of which approximately \$20,000,000 had been spent by December 31, 1964. Of the said \$20,000,000, approximately \$9,200,000 was obtained by way of short-term bank loans during the latter part of 1964. Therefore, the amount required as at January 1, 1965 to bring the Company's project into production is estimated at \$199,200,000, including the repayment of the said bank loans which is anticipated for the near future. The proceeds of the issue and sale of the Debentures being offered in Alberta will supply part of such amount of \$199,200,000. By letter dated September 12, 1963, Sun Oil Company advised Great Canadian that it was prepared, subject to certain conditions, to invest up to \$67,500,000 in securities (including \$22,500,000 in voting shares) of Great Canadian and to assist in arranging the balance of the funds required to finance the project to completion.

Pursuant to this letter, Sun Oil Company Limited took down and paid for \$5,000,000 principal amount of Convertible Income Debentures early in 1964 and later in 1964 purchased 600,000 voting shares of Great Canadian for \$3,000,000. On February 16, 1965, the above-mentioned Convertible Debentures were, in accordance with their terms, converted into 1,000,000 voting shares of Great Canadian. In addition, on February 18, 1965, Sun Oil Company Limited subscribed for and Great Canadian allotted 2,900,000 voting shares subject to issue upon payment therefor at the rate of \$5 per share from time to time up to September 30, 1965. It is presently proposed that such shares will be taken down and paid for as funds are required by Great Canadian.

The balance of the said \$67,500,000 is presently proposed to be invested in Great Canadian by Sun Oil Company Limited purchasing \$45,000,000 principal amount or par value of debentures, income debentures or preferred shares, or any combination thereof. Such securities will be taken down and paid for from time to time having regard to the over-all financing of the Company's project. It is presently proposed that any such debentures or income debentures or preferred shares issued to Sun Oil Company Limited will, prior to the maturity date of the Debentures being presently offered in Alberta, be retired in whole or in part by redemption or purchase out of earnings of Great Canadian or by refunding the same.

The balance of the amount required to bring the Company's project into production is presently proposed to be financed by short-term bank loans, arrangements with respect to which have not yet been made by Great Canadian. At the present time it is anticipated that after the Company's project becomes fully operational, these bank loans will be refunded from the proceeds of the sale of long-term debt.

#### ALBERTA DEBENTURES

With respect to the Debentures presently being offered in Alberta, each \$100 of the Debentures is convertible as to \$32 thereof into shares of Great Canadian but this right is deferred for three years. The reason for this deferral is that the present plans anticipate that the construction of your Company's facilities will not be completed until 1967. Sun Oil Company Limited has agreed to purchase Debentures (prior to conversion) from residents of Alberta if so requested. The reason for this agreement is to afford protection to the buyers of the Debentures because detailed designs of your Company's proposed facilities are not as yet in final form and the operation of producing a synthetic crude oil from bitumen obtained from the Athabasca Tar Sands has not been heretofore carried out on the scale proposed by your Company.

#### GENERAL

Your Directors are satisfied with the progress in construction which has been made to date in your Company's project. It is recognized, however, that your Company has undertaken a major pioneering venture and that there are variables, such as interest rates on debt yet to be incurred, price of crude oil, wages, etc., which will affect the degree of the financial success of your Company.

At this time your directors wish to recognize the significant assistance and co-operation of its employees and those individuals and companies working with your directors in the furtherance of your Company's project.

Submitted on behalf of the Board of Directors.

March 26, 1965.

W. HAROLD REA  
*Chairman of the Board*

C. H. THAYER  
*President*



# GREAT CANADIAN OIL SANDS LIMITED

(Incorporated in Canada)

## BALANCE SHEET

DECEMBER 31, 1964

(with comparative figures for 1963)

### ASSETS

	1964	1963
Current:		
Cash - - - - -	\$ 12,422	\$ 181,218
Marketable securities—at cost plus accrued interest - - - - -		315,868
Sundry accounts receivable and advances to employees - - - - -	3,490	
	<u>\$ 15,912</u>	<u>\$ 497,086</u>
Deposit with Government of Alberta:		
Cash and Government of Canada bonds - - - - -	\$ 20,660	\$ 20,660
Plant facilities and other assets (note 1):		
Plant facilities under construction - - - - -	\$14,336,888	
Licensing rights and prospecting permit—acquired for 500,000 shares of the company's stock - - - - -	562,500	\$ 562,500
Furniture and fixtures—at cost less accumulated depreciation - - -	4,595	825
Preproduction and other expenses less investment income (statement 2)	6,113,380	2,401,087
	<u>\$21,017,363</u>	<u>\$2,964,412</u>
	<u>\$21,053,935</u>	<u>\$3,482,158</u>

The accompanying notes should be read in connection with these financial statements.

der the laws of Canada)

## SHEET

, 1964

December 31, 1963)

## LIABILITIES AND CAPITAL

	1964	1963
Current:		
Bank loans - - - - -	\$ 9,200,744	
Accounts payable and accrued charges (including \$197,444 payable to affiliated companies) - - - - -	490,961	\$ 548,178
	<u>\$ 9,691,705</u>	<u>\$ 548,178</u>
6% unsecured convertible income debentures maturing June 30, 1969 (note 2) - - - - -	\$ 5,000,000	
Capital (note 3):		
Authorized—		
9,000,000 shares without nominal or par value		
Issued—		
For licensing rights and prospecting permit - - 500,000 shares	\$ 562,500	\$ 562,500
For cash - - - - - 1,547,742 shares	5,799,730	2,371,480
	<u>2,047,742 shares</u>	<u>\$ 2,933,980</u>
On behalf of the Board:		
W. H. REA, <i>Director</i>		
D. J. WILKINS, <i>Director</i>		
	<u>\$21,053,935</u>	<u>\$3,482,158</u>

in conjunction with the above statement.

## GREAT CANADIAN OIL SANDS LIMITED

## STATEMENT OF PREPRODUCTION AND OTHER EXPENSES LESS INVESTMENT INCOME

FOR THE YEAR ENDED DECEMBER 31, 1964

	Balance December 31, 1963	Expended during 1964	Balance December 31, 1964
Exploration, development, engineering and economic studies:			
Pre-incorporation exploration and engineering services - -	\$ 150,958		\$ 150,958
Exploration - - - - -	101,651		101,651
Surveys and soil tests - - - - -	67,913		67,913
Engineers' and consultants' fees - - - - -	33,294	\$ 13,506	46,800
Lease rental and prospecting permit - - - - -	9,107	2,020	11,127
Lease expenses - - - - -		442,350	442,350
Travel - - - - -	98,395	41,367	139,762
Feasibility study for development of oil sands - - - -	1,652,033	1,652,969	3,305,002
Field test unit - - - - -		1,411,593	1,411,593
	<u>\$2,113,351</u>	<u>\$3,563,805</u>	<u>\$5,677,156</u>
Administrative:			
Executive remuneration - - - - -	\$ 133,843	\$ 50,124	\$ 183,967
Other salaries - - - - -	26,526	51,881	78,407
Legal and audit - - - - -	91,913	42,111	134,024
Rent - - - - -	30,076	7,824	37,900
Leasehold improvements - - - - -	1,007		1,007
Interest on bank loans - - - - -		57,116	57,116
Depreciation of furniture and fixtures - - - - -	1,625	1,149	2,774
Telephone and telegraph - - - - -		3,105	3,105
Office and sundry expenses - - - - -	32,021	19,275	51,296
Preliminary financing and incorporation expenses - - -	23,385		23,385
	<u>\$ 340,396</u>	<u>\$ 232,585</u>	<u>\$ 572,981</u>
	<u>\$2,453,747</u>	<u>\$3,796,390</u>	<u>\$6,250,137</u>
Deduct investment income - - - - -	52,660	84,097	136,757
	<u><u>\$2,401,087</u></u>	<u><u>\$3,712,293</u></u>	<u><u>\$6,113,380</u></u>

The accompanying notes should be read in conjunction with the above statement.



# GREAT CANADIAN OIL SANDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1964

1. The estimated total cost of the construction and preproduction programme is \$210,000,000 of which approximately \$20,000,000 had been spent to December 31, 1964 and commitments for approximately \$29,000,000 were outstanding at that date.
2. The 6% unsecured convertible income debentures maturing June 30, 1969 were converted on February 16, 1965 by Sun Oil Company Limited into 1,000,000 shares of capital stock of the company.
3. (a) During the year supplementary letters patent were issued to the company increasing the authorized capital by the creation of 6,000,000 shares without nominal or par value.  
(b) During 1964, 192,750 shares were issued on the exercise of options for \$428,250 cash and 600,000 shares were issued to Sun Oil Company Limited for \$3,000,000 cash.  
(c) The company's authorized but unissued share capital is reserved to the following extent:
  - (i) 42,250 shares under contracts dated March 14, 1963 and June 29, 1964 granting options to various persons exercisable subject to certain terms and conditions on or before July 2, 1965 for 34,750 shares and on or before June 29, 1969 for 7,500 shares at \$3 per share. During the period from January 1 to February 18, 1965 options on 20,750 shares were exercised for a total cash consideration of \$62,250;
  - (ii) On February 18, 1965 Sun Oil Company Limited subscribed for and was allotted 2,900,000 shares of capital stock of the company subject to issuance upon payment therefor at the rate of \$5 per share from time to time up to September 30, 1965; and
  - (iii) 500,000 shares for issue upon conversion of the 6% Debentures (Alberta Issue).
4. Subsequent to December 31, 1964 the company also became a party to:
  - (a) An agreement dated as of January 5, 1965 with Sun Oil Company Limited and Abasand Oils Limited involving the sub-lease of Bituminous Sands Lease No. 4 in respect of which the company is constructing its plant.
  - (b) Agreements dated as of January 5, 1965 with Sun Oil Company Limited and Shell Canada Limited pertaining to the sale of desulphurized crude oil to be obtained from the project.

## AUDITORS' REPORT

To the Shareholders of

GREAT CANADIAN OIL SANDS LIMITED:

We have examined the balance sheet of Great Canadian Oil Sands Limited as at December 31, 1964 and the statement of preproduction and other expenses less investment income for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the company, the accompanying balance sheet and statement of preproduction and other expenses less investment income are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at December 31, 1964, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
February 18, 1965.

CLARKSON, GORDON & CO.  
Chartered Accountants







